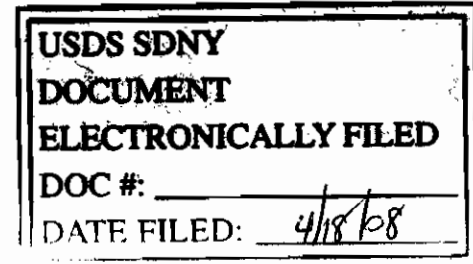


Sam Israel III
4 Byram Brook Place
Armonk, New York 10504

05-cr-1039

April 9, 2008

The Honorable Colleen McMahon
United States District Judge
Daniel Patrick Moynihan Courthouse
500 Pearl Street, Room 640
New York, New York 10007



Dear Judge McMahon,

I am writing to you in order to express my profound remorse for my actions for which there is no excuse. I also wish to express to you exactly how my despicable actions have negatively impacted not just me, but also those who I did not know who put their faith and trust in me, and those I did know who entrusted me with their hard earned dollars. I also want to express to you that I understand that I have done the worst thing imaginable to my friends and loved ones, which is not just destroy their love, trust, devotion, and confidence, but also I have turned my family's good name, that for generations has stood for service to community and goodwill towards others, and had an impeccable business reputation, into a name full of shame which they certainly do not deserve. The Israel name is now one of infamy because of my lying and cheating. I have not just managed to humiliate myself, but I have brought shame to generations before me and those to come who share the last name that I have thoroughly disgraced. They deserve better. Words cannot express the sorrow and utter humiliation I feel not just for my actions, but for the consequences of my actions. I will never be able to repair the damage I have done. All I am able to do is try my best to help the investors I have cheated get their money back, express my sorrow and complete remorse for my actions, take complete responsibility for all actions at Bayou, try to apologize to those I have harmed, and try to make amends to those who have shown me nothing but love and encouragement in my life which I have paid back by lying and betrayal.

My family was in the commodity business for five generations before me. They built the second largest privately held commodity business in the world at the time of its sale in 1985. Ever since I can remember I met people everywhere that have told me they know my family either directly or by reputation. Both my grandfather and my father always told my brothers and me that all we have in this life is our word. While our household lacked in kindness at times, high moral fiber was never in question. The path to success had been shown to us from an early age. I did not go into the family business, but I worked on Wall Street for twenty years in hedge funds. I myself learned in a business where millions of dollars are transacted on a daily basis that one's word is his bond. There are no contracts or written agreements, there is a trust among those who are transacting. If that trust is violated, the person who does so will not last long and certainly will get no second chance. What makes the fraud that I perpetrated all the more egregious is that I violated the trust and reputation I had built for over fifteen years on Wall Street. People invested with me precisely because of my good reputation as a bright, extremely

hard working, honest individual, who overcame physical ailment and achieved a high level of success on Wall Street. Others invested with me because of my family's reputation. This is what makes my shame all the more complete. I never did intend to cheat anyone. I did not cheat my investors in a malicious attempt to enrich myself. I cheated my investors because I was afraid to admit my failure. I did not want the world to think I was not good enough, and I did not want my family to see me as a failure. Due to my despicable actions everyone not only knows that I was not good enough, that I am a failure, but now I am known as the worst possible thing anyone can be: a liar and a cheat. If I had been strong enough to admit my failure in a timely fashion I not only would have persevered, but I would not have thrown all of my hard work away and ruined my life as well as ruining the many innocent lives I bring along with me and the faith they have shown in me.

Often when people do bad things they suddenly profess to be born again or to find God. I have always been a person of Christian faith, but through my saturating guilt and profound shame, I have reassessed what it means to be a Christian. I have had a moment of clarity that has not only brought me closer to God, but made me realize that the path I was on could never have had a happy or good ending. I always felt that I was a charitable person, but work always came first for me. I did spend time with my children, and was a good father, donated my time to charity, coached soccer, basketball and baseball teams, but I was not a very good husband in that my whole life was wrapped up in how much money I made. I wanted to be liked and to prove to my father that I was good enough. I did not have a sense of self worth. On Wall Street the sole measure of a person's success is counted in dollars. I put work ahead of my family and my own health, even going so far as to buy a futon and put it on the floor along with my computers so I would not miss work after my back surgery when I worked at Omega Advisors. I had such a burning desire to be successful that the time I spent with my family I now realize was not quality time. I was always a workaholic.

When I started living the charade of Bayou's success, I started to have more spinal problems resulting in abuse of medication and six additional spinal surgeries. I also had to have a pacemaker put into my chest because the starter of my heart died. Living the lie on a daily basis cost me my marriage as my life spun out of control and this horrible secret I lived literally ate me up from the inside. My daily guilt was so overwhelming that it impacted my body physically. I now understand that I regarded my daily physical pain as a way to pay penance for the fraudulent life that I was leading.

I was not brought up to lie and cheat and as time went on I so desperately wanted to fix everything that I believe I lost my sanity for a bit. I did not go to work, and when what I perceived as divine intervention occurred in the form of the fictitious investment programs, I leapt at the opportunity. I just wanted the investors to get their money back. I now realize that even had the investment programs worked and I did not get caught, my life would have ended badly. I do not believe God rewards those who lie and cheat. My life would have been built on a lie, and I do not think I could have lived with that. I firmly believe God gives us what we can handle. I always thought that applied to the constant back pain I live with each day, but I was wrong. Since I pled guilty and my fraud was exposed I am now free. My freedom is not in terms of living a free life, which I certainly do not have because every day I suffer the guilt and shame for what I have done. I have a very hard time going out in public because I am so

ashamed of what I have done. My spinal pain is still debilitating, my health is not good and I am dependent on prescription narcotic painkillers. My guilt is overwhelming. But I am free because now I do not have to live a lie every day of my life. I certainly bear the full and absolute responsibility for my actions, I know I face a long prison term, but I have asked for God's forgiveness, and the forgiveness of my family and the very few who still wish to have anything to do with me. I have now been able to look my son in the eye and tell him precisely what I did and that I am paying dearly for my mistake. I also have told him and he has seen first hand how lying has ruined my life. At my sentencing I plan on asking for forgiveness of my investors and those who believed in me. That does by no means excuse what I have done, but it will put me back on the path of righteousness and hopefully I will get the opportunity to make amends or help others who have strayed from the path.

In closing I would like to relate to your honor that the past two and one half years have brought me a number of blessings. I have been able to devote my time to my son Jake who is almost fourteen years old. He is my best friend. I have hurt him so badly because he adores me and knows exactly what I have done. The pain that he has in knowing that I am going to prison is a lot for him to handle, but he knows that everyone must pay for mistakes. I sat down with him a number of times to help him write a letter to you, but neither of us could get through it. It was doing harm to him, so I could not let him continue even though I knew that the letter could benefit me. Being a failure in my son's eyes is the worst pain of all. In the last two years I also have grown closer to my family than I ever would have. I have learned that seeking approval from others only causes harm, and that if you love yourself and have faith in God, what others think does not matter. That understanding is a huge step in my personal recovery as I have always lived to please others. I have learned there are no shortcuts. I have learned that there is dignity in disgrace because the truth has set me free. I have learned that there is strength in humility, and that being humble brings me closer to God. I have learned how to really pray. I have learned how to ask for forgiveness and to expect nothing in return. When I learned of Dan Marino's sentence I knew that 20 years would truly be a life sentence for me and I considered taking my own life. But I also have learned that my life is not mine to take and I have to accept responsibility for my actions no matter what the consequence. Taking my own life would be a shortcut, and would only do further harm to my son as he would know that I was not willing to accept the consequences of my actions. I am so very sorry that I had to hurt so many in order to learn these lessons that I should have learned long ago.

Your Honor, I do not think I am a horrible person, I am a person who made a horrible mistake. You must decide what is to become of me for the rest of my life. I would like to think that this is not the final chapter of my life, that I may have to time to rebuild my life and make a positive contribution to society. I pray you will be merciful in your decision.

May God Bless You,

A handwritten signature in black ink, appearing to read "Sam Israel III", with a stylized flourish at the end.

Sam Israel III